

OCA FILE

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OCA 89-1385
25 April 1989

MEMORANDUM FOR: Deputy Director for Administration

FROM:

Office of Congressional Affairs

STAT

SUBJECT: Possible Changes in the Lump Sum Payment
Option for Retirees

1. Some newspaper articles last week have raised concerns among employees about whether the lump sum payment option will be continued. As you know Congress enacted legislation two years ago which divided this payment over a two year period--60% in the first year and 40% in the second. That legislation is due to expire this year and without Congressional intervention would revert back to its original form, that is one single payment to the employee at the time of retirement. There have been rumors that the Administration will attempt to do away with this benefit in order to save money. As yet, it has taken no action to do this.

2. I checked with a senior staff member of the House Post Office and Civil Service Committee to see what action is being planned on the Hill. I learned the following:

--The Committee likes the lump sum option and wants to retain it.

--It must, however, save \$1.1 billion to meet budget guidelines. The only way it can accomplish this goal is to come up with some method of deferred payments for lump sum payment option.

--The Committee's preference would be to continue the present form of payout, that is a 60-40 split over a two year period. This payment method would save \$540 million in FY 1990.

--Other options being considered are a 50-50 split over two years or one that would divide the payments over a three-year period. The 50-50 split would save \$700 million in FY 1990 and the three equal payments would save \$950 million.

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Whatever option is selected, the Committee probably would give it a one year life, making it subject to legislative renewal again next year.

4. The staff member who provided this information is knowledgeable and has been helpful to the Agency on many occasions. Although he is in a good position to know the committee's preferences, this situation is subject to change because of a variety of political considerations. Consequently, I would use this information advisedly.

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